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SUBJECT: SANU RESOURCES' MINING PROSPECTS

REF: A. ASMARA 248

1B. 07 ASMARA 907

Classified By: Ambassador Ronald K. McMullen for Reason 1.4 (d)

11. (SBU) Summary: Canada's Sanu Resources exploration company reported successful drilling results indicating large deposits of copper and zinc near Nevsun's Bisha Mining Project (reftel A). Only a small amount of gold was also discovered at this site, but Sanu anticipates "finding more gold nearby." Adding mining revenues from Sanu's find to the anticipated extraction revenues from Nevsun and Sub-Sahara Resources (reftel B) brightens the financial light at the end of a two-year tunnel for a chronically cash-strapped government. End Summary.

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12. (SBU) Gold? Maybe. Copper and Zinc? Absolutely.  
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Country manager Estifanos Ogbazghi (protect) for Sanu Resources, a Vancouver-based mining exploration company traded on the Toronto Stock Exchange, told Emboff on April 28 of "extremely promising" prospects for copper and zinc extraction. Sanu is exploring the Hambok Trend, a promising geological formation roughly 10km south/southwest of Nevsun's Bisha Mining Project. Despite finding only a small amount of gold, the large copper and zinc deposits can be extracted beginning in 2010 and mined for 10 to 20 years. Sanu is contractually obligated to sell its rights to major shareholder Lundin Mining Corporation, a Swedish-owned company based in Vancouver, to mine the minerals.

Sanu's initial assessments of the site indicated gold deposits similar to Bisha, but Estifanos said their recent drilling likely missed the vein. Further drilling will be conducted to find the gold, but the value of the base minerals alone will make mining profitable.

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13. (SBU) Koka ) Bigger than Bisha?  
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Estifanos also described their promising Koka site, near Sub-Sahara's recent gold strike 100 miles northwest of Asmara, as potentially "the biggest in Eritrea," noting Sanu is 80% certain of large deposits of copper, zinc, and gold. Sanu is conducting intensive drilling operations in the area, and has procured licenses to explore approximately 1,000 square miles of Eritrea's mineral fields. Sanu's assessment

is Eritrean mineral deposits may extend from the Bisha area in a 30 mile wide and 180 mile long northward path to the conjunction of Sudan, Eritrea, and the Red Sea.

15. (C) Comment: Although Nevsun leads in preparing for full operations, Sanu anticipates Nevsun's prior education of Eritrean Ministry of Energy and Mines bureaucrats makes negotiations easier and quicker. Like Nevsun and Sub-Sahara, Sanu expects extraction to begin in 2010, but the Eritrean government must make sizeable investments in order to cash in on these projects. Not only will it likely purchase a 30% stake in a joint venture with each extraction company, as it did with Nevsun, but substantial road improvement and maintenance will be necessary to handle the massive truck traffic moving over Eritrea's often narrow and winding escarpment roads.

Comment con't: Seeing these potential revenues so near but yet so far away must be maddening to officials of the remittance-dependent Eritrean government that is barely avoiding fiscal bankruptcy. Their feeling must be that if they can only hang on a little longer, Eritrea's pitiful finances, and their ability to rule, will be rescued. End Comment.  
MCMULLEN